

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

S E C R E T STATE 011296

FOR AMB TODMAN

FOLLOWING SENT ACTION SECSTATE INFO LA PAZ LIMA MOSCOW PARIS
SANTIAGO USCINCSO DIA DTD 142126Z JAN 7

QUOTE S E C R E T QUITO 0340

E.O. 11652: GDS

TAGS: BGEN MASS EC

SUBJECT: GOE PURCHASE OF AIR CONTROL SYSTEM: CONTINUED
DIFFICULTY FOR US BECAUSE OF LINKAGE TO MISSILES

REF: A) QUITO 0204; B) USCINCSO P 131846Z JAN 77

1. SUMMARY: SUCCESSFUL RAYTHEON BID TO SELL AIR CONTROL
SYSTEM CONTINUES TO BE IN JEOPARDY BECAUSE OF GOE LINKAGE
OF SYSTEM TO MISSILE PURCHASE. AMBASSADOR HAS ENDEAVORED
TO GIVE SUPPORT TO RAYTHEON AT HIGH LEVELS. IT NOW APPEARS
THAT AIR FORCE CHIEF, GEN LEORO, IS PRINCIPAL OPPONENT TO
RAYTHEON AND IS DRAGGING OUT PROCESS TO CAUSE RAYTHEON TO
WITHDRAW BECAUSE OF COSTS OF MAINTAINING FINANCIAL PACKAGE
WITH PRIVATE BANKS, WHICH HAS BEEN ARRANGED THROUGH END OF
JANUARY. RAYTHEON BELIEVES PROMISE OF BRIEFING ON I-HAWK

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(AND OTHER US MISSILES), WOULD STRENGTHEN ELEMENTS IN GOE
FAVORING RAYTHEON. EMBASSY HAS MADE CLEAR AND WILL CON-
TINUE TO STRESS THAT US POLICY CURRENTLY AGAINST INTRO-
DUCTION OF SOPHISTICATED I-HAWK TO LATIN AMERICA AND THAT
WE CAN GIVE NO ASSURANCE OF CHANGE IN POLICY. REQUEST
RAPID REPLY TO QUITO 0204 REQUESTING BRIEFING AND GUIDANCE.
END SUMMARY.

2. MINISTER OF DEFENSE ARRATA SUMMONED THE AMBASSADOR TO MINISTRY ON JANUARY 11 TO DISCUSS RAYTHEON PROPOSAL FOR SALE OF AIR CONTROL SYSTEM. ARRATA STATED STRONG DESIRE OF CERTAIN GOE OFFICIALS TO PURCHASE AIR CONTROL SYSTEM AND SURFACE-TO-AIR MISSILES FROM SAME SUPPLIER, AND SAID A SUCCESSFUL RAYTHEON BID ON AIR CONTROL SYSTEM WAS JEOPARDIZED BECAUSE OF LACK OF ASSURANCE THAT GOE WOULD BE ABLE TO BUY I-HAWK MISSILE FROM US. ARRATA ASKED AMBASSADOR ABOUT PROSPECTS OF GOE PURCHASING THE I-HAWK.

3. AMBASSADOR STRESSED TO ARRATA HIS UNDERSTANDING THAT RAYTHEON AIR CONTROL SYSTEM WOULD BE HARMONIOUS WITH ANY MISSILE SYSTEM ACQUIRED BY GOE; THAT THE RAYTHEON PACKAGE WAS COMPLETE AND OF HIGH QUALITY; THAT RAYTHEON HAD ARRANGED A GOOD FINANCING PACKAGE, INCLUDING AN EXIM BANK GUARANTEE; AND THAT RAYTHEON IS AN EXPERIENCED REPUTABLE COMPANY THAT WILL STAND BEHIND ITS EQUIPMENT AND WORK. HE TOLD ARRATA THAT CURRENT US POLICY DID NOT ALLOW THE SALE OF THE I-HAWK TO LATIN AMERICA BECAUSE OF ITS COST, SOPHISTICATION AND OUR DESIRE TO LIMIT THE ARMS RACE IN LATIN AMERICA. THE AMBASSADOR SAID HE COULD NOT GUARANTEE THE REVERSAL OF USG POLICY ON THE I-HAWK, BUT SAID EMBASSY HAD RECOMMENDED A BRIEFING FOR THE GOE ON THE US INVENTORY OF MISSILES, INCLUDING THE I-HAWK.

4. ARRATA EXPRESSED STRONG GOE PREFERENCE FOR US EQUIPMENT, BUT SAID THERE WAS CONSIDERABLE PRESSURE TO OBTAIN AIR CONTROL AND MISSILE SYSTEMS FROM SAME SOURCE. HE
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DENIED THAT GOE WOULD PURCHASE EQUIPMENT FROM USSR.

5. AMBASSADOR AT HIS OWN INITIATIVE CALLED ON GEN LEORO ON JANUARY 13 TO TRY TO GIVE RAYTHEON BID A BOOST. HE REPEATED ARGUMENTS MADE TO ARRATA. LEORO ALSO EMPHASIZED GOE DESIRE TO PURCHASE AIR CONTROL AND MISSILE SYSTEMS FROM SAME COMPANY. AMBASSADOR REPEATED THAT EMBASSY HAD REQUESTED BRIEFING ON US MISSILES, BUT MADE VERY CLEAR THAT HE COULD NOT GUARANTEE CHANGE IN CURRENT US POLICY ON I-HAWK. HE SAID THE NEW ADMINISTRATION PROBABLY WOULD NOT BE IN A POSITION TO REVIEW ARMS SALES POLICIES FOR SEVERAL MONTHS AT A MINIMUM. LEORO STATED THAT GOE WOULD PROBABLY WAIT 60-90 DAYS BEFORE FINAL SELECTION OF SYSTEMS MADE.

6. RAYTHEON REP BELIEVES LEORO TRYING TO STALL IN ORDER TO FRUSTRATE RAYTHEON SALE AND THEN THROW BID TO ITALIANS. RAYTHEON FINANCIAL PACKAGE IS CONSTITUTED UNTIL END OF JAN, BUT RAYTHEON REP STATED RELUCTANCE TO KEEP PACKAGE INTACT

AFTER THAT DATE BECAUSE OF COST OF PAYING PRIVATE BANK TO HOLD FUNDS AVAILABLE. RAYTHEON REJECTED AMBASSADOR'S PROPOSAL TO TELL GOE THAT IT IMPOSSIBLE TO OBTAIN REVERSAL OF CURRENT POLICY ON I-HAWK AND THUS FORCE GOE'S HAND. REPRESENTATIVE PREFERS TO HOLD OUT HOPE FOR EVENTUAL PURCHASE OF I-HAWK BY GOE IN ORDER NOT LOSE SOME GOE OFFICIALS FAVORING RAYTHEON. AMBASSADOR STRESSED HE MUST BE CANDID AND HONEST WITH GOE IN HIS CONTACTS WITH GOE IN ORDER TO MAINTAIN CREDIBILITY, AND THEREFORE COULD NOT HOLD OUT MUCH HOPE TO GOE FOR I-HAWK.

7. RAYTHEON BELIEVES THAT INSISTENCE OF SOME GOE OFFICIALS ON TYING I-HAWK TO THE ATC PACKAGE IS STRONGLY MOTIVATED BY THEIR NEED TO CREATE A CREDIBLE PRETEXT TO REJECT THE MORE HIGHLY EVALUATED US SYSTEM AND COLLECT BRIBES THEY SUSPECT TO BE CONNECTED WITH SALE OF ITALIAN SYSTEM. IF THIS ANALYSIS IS CORRECT, IN ORDER TO GET THE CONTRACT
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THE US MUST EITHER: A) HOPE THAT IN THE END THOSE ECUADOREAN OFFICERS WHO FAVOR A SUPERIOR TECHNICAL SYSTEM WILL PREVAIL OVER THOSE WHO SEEK PERSONAL GAIN, OR, B) BE FORTHCOMING ON THE HAWK. WE ARE PERSUADED THAT WE MUST AT LEAST TEST WHETHER PROMPT BRIEFING ON I-HAWK WILL SWAY GOE AND ASSIST RAYTHEON. IT MAY ALSO BUY TIME.

8. ACTION REQUESTED: A QUICK REPLY TO QUITO'S 0204 REQUESTING A BRIEFING (AS A TIME-BUYING DEVICE) AND GUIDANCE. BLOOMFIELD UNQUOTE KISSINGER

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Message Attributes

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Sent Date: 18-Jan-1977 12:00:00 am
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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